

# Montana Teachers' Retirement System (TRS)



Retirement  
Education  
Tutorial

# RETIREMENT PLANNING

Retirement planning is a very personal decision and requires an understanding of TRS.



TRS encourages you to take ownership of your retirement account. The more you learn about your retirement options, and the sooner you start, the better you can prepare for the lifestyle you want to enjoy. As you near retirement, please allow adequate time to become informed about all the choices to be made when you formally apply for your monthly retirement benefit.



# TYPE OF PLAN

TRS is a 'Defined Benefit Plan.'  
Benefits are paid based on a retirement benefit formula.  
The formula uses three factors:

$$\begin{array}{c} \text{Years Of Creditable Service} \\ \times \\ \text{Average Final Compensation} \\ \times \\ \text{a factor of 1.6667\%} \end{array}$$

The result of this calculation is an annual benefit amount with benefits paid over 12 equal payments.

A grid of 12 small tables, each representing a month of a calendar. The tables are arranged in a 4x3 grid. Each table has a header with the month and year, and a grid of dates. The tables are color-coded by month: January (blue), February (green), March (red), April (orange), May (yellow), June (purple), July (pink), August (brown), September (grey), October (light blue), November (light green), and December (light red).



# ELIGIBILITY FOR A RETIREMENT BENEFIT

If you have terminated all your TRS covered employment in Montana, you may apply for retirement benefits if: (1) you have attained age 60 with at least 5 full years of creditable service; or (2) you have 25 or more years of creditable service, in which case you are eligible for full retirement regardless of age; or (3) you have part-time service in 25 or more fiscal years, in which case you are eligible for a regular retirement regardless of age; or (4) you have at least 5 years of creditable service and have attained the age of 50, resulting in an early retirement.

Your employer must also pay out all sick and annual leave balances, if applicable.

Your 'Effective Retirement Date' will be the first of the month following your date of termination.



TRS offers three ways to begin your retirement planning process.



You can use the on-line benefit estimator on the TRS web site. The benefit estimator will enable you to begin retirement planning prior to your anticipated retirement date, in the privacy of your home or office.

If you are employed on an hourly or part-time basis, or if you prefer to have a TRS staff member provide an estimate of benefits, go to the TRS web site and print the 'Request for An Estimate of Benefits' form. Mail the properly completed form to TRS. An 'Estimate of Benefits' will be mailed to your home mailing address.



If you wish, you may call or write TRS to request an 'Estimate of Benefits.' TRS staff will contact you to obtain the necessary information and will then provide an estimate of your benefits.

Each of these methods for retirement planning will provide valuable information about the decisions you will need to make. In addition, at the time you have made the decision to terminate your employment and apply for your monthly retirement benefit, you must contact the TRS office to request a 'Retirement Application Packet.'



# RETIREMENT BENEFIT ALLOWANCES

Before retirement, it is important to carefully study and consider your benefit allowance options to best meet your future financial needs. TRS staff can assist you with retirement planning, but we cannot recommend what choices you should make.



The allowance you elect will be payable during your lifetime. The amount of your monthly benefit will depend upon the allowance you elect.

The **Normal Form** allowance is a Life Only Annuity. Upon your death, and prior to receiving benefits equal to your account balance at retirement, the remainder will be refunded to your designated beneficiary. You may designate multiple primary beneficiaries.

By electing a ***Period Certain & Life allowance***, an actuarial factor will be applied to the Normal Form allowance. You may designate multiple primary beneficiaries.

The **10-Year Certain & Life** allowance is payable during your lifetime, or for 10 years from your retirement effective date, whichever is greater. If you die within the 10-year period, the monthly benefit will continue to be paid to your designated beneficiary for the remainder of the 10-year period. To select the 10-Year Certain and Life allowance, you must be age 75 or less.

The **20-Year Certain & Life** allowance is payable during your lifetime, or for 20 years from your retirement effective date, whichever is greater. If you die within the 20-year period, the monthly benefit will continue to be paid to your designated beneficiary for the remainder of the 20-year period. To select the 20-Year Certain and Life allowance, you must be age 65 or less.

# RETIREMENT BENEFIT ALLOWANCES, Cont.

If you elect **Option A, B, or C**, the amount of your monthly benefit will depend on the ages of both you and your joint annuitant at the time of your retirement. An actuarial reduction is factored in to fund the benefit through two lifetimes. You may designate only one joint annuitant.



## **OPTION A - Joint and Full to the Beneficiary**

Upon your death, the joint annuitant, if living, will continue to receive the same monthly amount during the remainder of his or her lifetime.

## **OPTION B - Joint and One-Half to the Beneficiary**

Upon your death, the joint annuitant, if living, will receive one-half (1/2) of your monthly benefit during the remainder of his or her lifetime.

## **OPTION C - Joint and Two-Thirds to the Beneficiary**

Upon your death, the joint annuitant, if living, will receive two-thirds (2/3) of your monthly benefit during the remainder of his or her lifetime.

Under the **'Pop-Up Provision'**, if the joint annuitant at the time of your retirement precedes you in death, and you elected **Option A, B, or C**, the retirement allowance will return to the full Normal Form amount and will include any increases that have been granted. The effective date of the change shall be the first of the month following your joint annuitant's date of death and you will have 18 months to change the option and joint annuitant.



# Benefit Allowance Comparison







**For general comparison purposes only**, the next slide shows how the monthly benefit amount differs (for members *and* for beneficiaries and joint annuitants) depending on which allowance or option you choose.

The pie charts give a rough approximation of how big a “slice” is taken out of the full Normal Form benefit amount if you chose one of the other allowances or options.

TRS can give you a much more detailed estimate of benefits based on your personal information. The estimate will show the differences among the available allowances in actual dollar amounts.



# BENEFIT ALLOWANCE COMPARISON

Allowance	Benefit		Monthly Benefit (≈)
	To Member	To Beneficiary/Joint Annuitant (upon member's death)	
Normal Form	Full amount for life	Account balance, if any	
Option A	< amount for life	< amount for life	
Option B	< amount for life	1/2 of Option B amount for life	
Option C	< amount for life	2/3 of Option C amount for life	
Period Certain & Life ( <b>10</b> years)	< amount for life	< amount for remaining of 10-year period, if any	
Period Certain & Life ( <b>20</b> years)	< amount for life	< amount for remaining 20-year period, if any	

Thank you for taking the time to view this tutorial. The information provided in here is for educational purposes only. It is intended to provide basic information about the services and benefits provided by the Montana Teachers' Retirement System under the laws and rules applicable as of the date of production. It is not intended to provide accurate, detailed calculations of any specific member's account or benefits.

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